

ABRIDGED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

Chairman	YBhg Tan Sri Quek Leng Chan (<i>Non-Executive Non-Independent</i>)
Members	Mr Tan Kong Khoo Mr Kwek Leng Hai Ms Chok Kwee Bee YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah YBhg Datuk Dr Md Hamzah bin Md Kassim Ms Chong Chye Neo Ms Lau Souk Huan

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets				
Cash and short-term funds	3,466,178	8,562,169	3,042,541	5,543,800
Deposits and placements with banks and other financial institutions	486,779	1,052,379	1,426,484	1,818,174
Financial assets at fair value through profit or loss	8,246,366	8,069,396	8,041,221	8,047,727
Financial investments at fair value through other comprehensive income	34,450,238	27,282,544	30,464,881	24,737,905
Financial investments at amortised cost	23,634,907	20,101,432	16,558,726	15,079,081
Loans, advances and financing	154,070,707	144,694,950	119,085,694	112,823,975
Other assets	2,011,856	1,682,516	1,873,246	1,606,849
Derivative financial instruments	1,005,249	1,111,469	983,205	1,057,621
Amount due from subsidiaries	-	-	15,870	106,363
Statutory deposits with Central Banks	493,605	418,120	301,428	254,181
Subsidiary companies	-	-	2,556,570	2,558,901
Investment in associated companies	5,501,542	4,644,527	971,182	971,182
Property and equipment	1,197,788	1,299,902	595,225	685,169
Intangible assets	242,317	187,505	218,277	168,060
Right-of-use assets	214,726	253,118	344,387	420,653
Goodwill	1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets	275,670	86,578	183,513	55,984
Total assets	237,129,240	221,277,917	188,433,997	177,707,172
Liabilities				
Deposits from customers	183,289,771	173,492,661	144,357,035	137,633,362
Investment accounts of customers	1,145,154	356,475	-	-
Deposits and placements of banks and other financial institutions	12,130,039	6,501,080	12,015,297	6,651,241
Obligations on securities sold under repurchase agreements	742,750	3,124,132	742,750	3,124,132
Bills and acceptances payable	189,642	134,053	150,433	120,216
Lease liabilities	209,761	241,177	341,591	407,838
Other liabilities	5,358,784	5,348,210	5,066,401	4,773,705
Derivative financial instruments	909,666	1,298,513	879,986	1,251,096
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	1,033,839	1,049,005	300,572	300,567
Tier 2 subordinated bonds	1,502,340	1,502,224	1,502,340	1,502,224
Multi-currency Additional Tier 1 capital securities	806,390	806,320	806,390	806,320
Provision for taxation	351,990	189,768	272,296	150,979
Total liabilities	207,670,126	194,043,618	166,435,091	156,721,680
Equity				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Reserves	22,439,081	20,218,580	14,978,873	13,969,773
Less: Treasury shares	(719,030)	(723,344)	(719,030)	(723,344)
Total equity	29,459,114	27,234,299	21,998,906	20,985,492
Total equity and liabilities	237,129,240	221,277,917	188,433,997	177,707,172
Commitments and contingencies	278,901,435	147,233,168	261,848,638	131,969,797

STATEMENTS OF INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	5,394,946	5,912,043	5,243,512	5,782,292
Interest income for financial assets at fair value through profit or loss	161,783	268,718	161,783	268,718
Interest expense	(2,099,027)	(3,416,377)	(2,044,559)	(3,382,940)
Net interest income	3,457,702	2,764,384	3,360,736	2,668,070
Income from Islamic Banking business	919,402	846,540	-	-
	4,377,104	3,610,924	3,360,736	2,668,070
Non-interest income	1,089,769	1,167,432	1,310,022	1,389,660
Net income	5,466,873	4,778,356	4,670,758	4,057,730
Overhead expenses	(2,077,808)	(2,103,804)	(1,771,067)	(1,792,455)
Operating profit before allowances	3,389,065	2,674,552	2,899,691	2,265,275
Allowance for impairment losses on loans, advances and financing	(653,819)	(327,655)	(492,073)	(188,333)
(Allowance for)/written back of impairment losses on financial investments and other assets	(260)	167	(3,465)	(1,467)
	2,734,986	2,347,064	2,404,153	2,075,475

STATEMENTS OF INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Share of results of associated companies	735,953	642,333	-	-
Profit before taxation	3,470,939	2,989,397	2,404,153	2,075,475
Taxation	(610,297)	(494,800)	(535,834)	(421,460)
Net profit for the financial year	2,860,642	2,494,597	1,868,319	1,654,015
Attributable to:				
Owners of the parent	2,860,642	2,494,597	1,868,319	1,654,015
Earnings per share for profit attributable to owners of the parent (sen):				
- basic	139.7	121.9	91.3	80.8
- diluted	139.7	121.9	91.2	80.8

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the financial year	2,860,642	2,494,597	1,868,319	1,654,015
Other comprehensive income/ (loss) in respect of:				
(i) Item that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income	9,228	15,763	9,228	15,763
- Net fair value changes				
(ii) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive (loss)/ income of associated companies	(15,019)	15,976	-	-
(b) Currency translation differences	282,081	78,085	(4,182)	13,621
(c) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(289,882)	203,515	(221,513)	231,676
- Changes in expected credit losses	198	502	211	601
(d) Net fair value changes in cash flow hedge	3,235	(7,633)	3,233	(7,631)
Income tax relating to components of other comprehensive income/(loss)	68,101	(43,019)	51,887	(49,823)
Other comprehensive income/ (loss) for the financial year, net of tax	57,942	263,189	(161,136)	204,207
Total comprehensive income for the financial year	2,918,584	2,757,786	1,707,183	1,858,222
Attributable to:				
Owners of the parent	2,918,584	2,757,786	1,707,183	1,858,222

CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.500%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 31 May 2021 on extension of additional measures to assist borrowers/customers affected by the COVID-19 pandemic. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by extending loan/financing flexibilities which will allow banking institutions to respond swiftly to the needs of their customers. On 9 December 2020, BNM issued a revision to the Capital Adequacy Framework (Capital Components), which sets out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions. The transitional arrangements have allowed banking institutions to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses to CET I over a four year period beginning 2020 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2020, which has allowed banking institutions to (1) drawdown on the capital conservation buffer of 2.500%; (2) operate below the minimum Liquidity Coverage Ratio of 100%; (3) reduce the regulatory reserves held against expected losses to 0%; and (4) lower minimum Net Stable Funding Ratio to 80%. While regulatory response and support has been encouraging amidst a challenging operating environment, the Bank has opted to not avail itself to BNM's support measures.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Before deducting proposed dividends				
CET I capital ratio	14.030%	13.950%	13.911%	13.761%
Tier I capital ratio	14.561%	14.523%	14.245%	14.118%
Total capital ratio	16.703%	16.750%	16.301%	16.245%
After deducting proposed dividends				
CET I capital ratio	13.552%	13.657%	13.307%	13.395%
Tier I capital ratio	14.083%	14.230%	13.642%	13.752%
Total capital ratio	16.224%	16.456%	15.697%	15.879%

CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I capital				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	20,751,376	18,172,806	14,139,555	12,661,472
Other reserves	1,217,660	1,029,080	366,088	433,536
Less: Treasury shares	(719,030)	(723,344)	(719,030)	(723,344)
Less: Deferred tax assets	(275,670)	(86,578)	(183,513)	(55,984)
Less: Other intangible assets	(242,317)	(187,505)	(218,277)	(168,060)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated companies	(5,501,542)	(4,644,527)	(2,725,221)	(2,727,486)
Total CET I capital	21,138,228	19,467,683	16,627,118	15,387,650
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	799,785	799,654	799,785	799,654
Additional Tier I capital before regulatory adjustments	799,785	799,654	799,785	799,654
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	799,785	799,654	399,785	399,654
Total Tier I capital	21,938,013	20,267,337	17,026,903	15,787,304
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	1,726,493	1,607,378	1,356,795	1,278,446
Subordinated bonds	1,499,970	1,499,970	1,499,970	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	-	-	(400,000)	(400,000)
Total Tier II capital	3,226,463	3,107,348	2,456,765	2,378,416
Total capital	25,164,476	23,374,685	19,483,668	18,165,720

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM412,709,000 (2020: RM837,183,000) and RM387,677,000 (2020: RM703,987,000) respectively.

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk *	138,119,456	128,590,231	108,543,591	102,275,706
Market risk	3,778,671	2,496,060	3,895,661	2,562,366
Operational risk	8,761,958	8,468,140	7,087,877	6,983,001
Total RWA	150,660,085	139,554,431	119,527,129	111,821,073

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM847,370,000 (2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2021	2020
Before deducting proposed dividends		
CET I capital ratio	11.133%	10.871%
Tier I capital ratio	12.535%	12.432%
Total capital ratio	15.112%	15.173%
After deducting proposed dividends		
CET I capital ratio	11.133%	10.871%
Tier I capital ratio	12.535%	12.432%
Total capital ratio	15.112%	15.173%

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG LEONG BANK BERHAD (REGISTRATION NO: 19340100023 (97141-X))

On 14 September 2021, we reported on the statutory financial statements of Hong Leong Bank Berhad for the financial year ended 30 June 2021. In that report we stated:

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of Hong Leong Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 185.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG BANK BERHAD
(REGISTRATION NO: 193401000023 (97141-X)) (CONTINUED)**

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matters
<p><u>Collective assessment</u></p> <ul style="list-style-type: none"> Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; and Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and model overlay adjustments made, given the economics uncertainty arising from COVID-19 that may impact the future ECL. 	<p><u>Collective assessment</u></p> <p>To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have performed the following procedures:</p> <ul style="list-style-type: none"> Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models; Assessed and tested the significant modelling assumptions, including the basis or judgement used for management's overlays; Assessed and considered reasonableness of forward-looking forecasts assumptions, taking into consideration of the economic uncertainty arising from COVID-19; Assessed and tested the identification and calculation of model overlay adjustments to the ECL due to the impact of COVID-19; and Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. <p>Based on the procedures performed, the outcome of our independent testing results were not significantly different from the Group's and the Bank's assessment on impairment of loans, advances and financing.</p>

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Other than the non-publication of all the notes to the financial statements, the financial statements reproduced herewith are similar in all material respects to those reported on by us.

Accordingly, for a fuller appreciation of the financial position of the Group and the Bank as at 30 June 2021, and of their financial performance and their cash flows for the financial year ended on that date, reference should be made to the statutory financial statements of Hong Leong Bank Berhad for the financial year ended 30 June 2021, in which context our report of 14 September 2021 was made.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 September 2021

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant